



Institute of Actuaries of India

## Subject

SA4 – Pensions and Other Benefits  
Specialist Advanced

For 2026 Examinations

## **Aim**

Apply the main principles relevant to the provision of pensions and other benefits, to the management of benefit arrangements, taking into account the regulatory, legislative and business environment, as well as professional requirements. Provide solutions and give appropriate recommendations to business problems relating to benefit arrangements and the management of risk.

## **Links across the Qualifications**

### Fellowship Qualification

There are two subjects covering pensions and other benefits, Pensions and other Benefits Specialist Principles (SP4) and Pensions and other Benefits Specialist Advanced (SA4). Each subject develops a specific set of skills and knowledge needed by actuaries working in, or who wish to work in pensions. Pensions and Other Benefits Specialist Advanced (SA4) subject, further develops the principles from SP4, providing a more in-depth understanding of pensions and other benefits to enable actuaries to work in more complex scenarios.

## **Topics and topic weightings**

1. Pension and benefit provision and general business environment [20%]
2. Regulatory, legislative and taxation environment [15%]
3. Design and financing of benefit arrangements [20%]
4. Reporting/valuation and management of benefit arrangements [25%]
5. General business and risk management [20%]

## **Objectives**

### **1. Pension and benefit provision and general business environment [20%]**

To develop an in-depth understanding of the structure of pension and other long-term benefit provision in India, the roles and responsibilities of key stakeholders, the interaction between State, employer and individual provision, and the business, economic and demographic environment in which such benefits are provided.

**1.1** Understand, the roles and responsibilities of stakeholders, in the current and emerging types of benefit provisions:

- The State
- Any other central body within the jurisdiction e.g. EPFO, PFRDA etc.
- Employers
- Individuals
- Trustees
- Actuaries
- Investment advisers
- Other advisers

**1.2** Understand the factors that influence the provision of benefits by the State, employers in the public and private sectors and individuals.

- Local state laws like Shop and Establishment Act
- Four Labor Code Laws
- Income Tax Act, 2025

**1.3** Understand the main saving alternatives to pension savings available to individuals.

- National Pension Scheme
- Employee Provident Fund

- Employee Pension Scheme
- Public Provident Fund
- Employer managed Superannuation schemes
- Others like Private Insurer Pension plans, Fixed Deposits, Gold, Real estate etc.

#### 1.4 Understand the relevance, and impact, of sponsor covenants

- What is meant by sponsor covenant
  - Gratuity – Section 57 of Social Security Code, 2020
  - Exempt Provident Fund
- When/how it may be measured
  - Gratuity - Section 57 of Social Security Code, 2020; with case study on Karnataka Compulsory Gratuity Insurance Rules, 2024
  - Employee Provident Fund – Exempt Provident Fund
- Integration of sponsor covenant with funding and investment
- Role of trustees, their responsibilities, governance and their powers in India is again a subject which does not get enough coverage (perhaps this is included in SP4) but I think the specific circumstances prevailing in India should get covered adequately.
  - Indian Trusts Act, 1882; along with provisions under relevant labour or tax legislation for statutory employee benefits like Gratuity and Provident fund.
- Section on trust act, trust set, amendment, and overall governance of trusts in the retirement context.
  - Social Security Code, 2020
  - Trust Act of India 1982
  - Old laws – Payment of Gratuity Act, 1972 and Employees Provident Fund and Miscellaneous Provisions Act, 1952.
  - Income Tax Act, 2025

## 2. Regulatory, legislative and taxation environment [15%]

Explore how regulation, legislation, and taxation impact on the design, attractiveness, maintenance and affordability of benefit arrangements.

### 2.1 Understand the impact of relevant legislation on the provision of and non-state benefits in terms of the following objectives

- encouraging appropriate non-State provision
  - National Pension Scheme
  - Public Provident fund
- ensuring security for non-State provision e.g.
  - Gratuity - Section 57 of Social Security Code
  - Investment rules under Exempt Employee Provident Fund
  - Rule 67 of Income Tax Rules, 1962 – Investment Framework for Recognized Provident Funds.
  - Rule 292 of Income Tax Rules, 2026 – Investment Framework for Recognized Provident Funds.

### 2.2 Identify the impact of the environment in which benefits are provided on stakeholders

- Benefits policy
- Regulation
- Tax and national insurance regime
- Accounting standards
- Actuarial Standards in relation to actuaries practicing or giving advice in relation to pension

arrangements.

**2.3** Identify and compare regulatory, legislative and taxation environments between different jurisdictions.

**3. Design and financing of benefit arrangements [20%]**

In depth theoretical factors, and practical implications to consider when designing and financing pensions and other benefit arrangements.

**3.1** Understand the different ways in which providers are able to finance the benefits to be provided, including:

- Timing of contributions (relative to when the benefits are due to be paid).
- Forms and characteristics of investment that are available.
- Financial instruments and contingent funding arrangements that may be used to back benefit promises.
- Insurance products including annuity and protection policies.
- Retirement planning in case of individual – ascertaining retirement corpus by setting various assumptions and investment options available to individual during accumulation and drawdown phase. (including but not limited to Stocks, Mutual Funds, Fixed income securities, saving schemes, insurance policies)”

**3.2** Discuss the factors to consider in determining a suitable design for a pension scheme, or other benefits such as social security benefits, including:

- Type of pension scheme (e.g. defined benefit, defined contribution, risk-sharing)
- Governance requirements
- Level and form of benefits and/or contributions
- Method of financing the benefits
- How risk is shared between parties
- Choice of assets (when benefits are to be funded)
- Discuss design and funding aspects of share based payments as a form of employee benefits.
- Demonstrate knowledge about UPS, OPS, NPS with regards to
  - evolution of these scheme in India,
  - design aspects,
  - risks facing the sponsor and beneficiaries,
  - funding methodologies
  - challenges associated with administration of large pension schemes.

**4. Reporting, valuation and management of benefit arrangements [25%]**

Understand how benefit arrangements – post-employment and deferred compensation - are managed in relation to financing, placing values on assets, benefits and contributions, monitoring experience, reporting requirements, managing significant events, and impact on stakeholders.

**4.1** Understand the issues that arise from the transfer/ amendment of benefit rights (for example following significant corporate restructuring, corporate actions):

- Interests and responsibilities of the parties involved.
- Terms set out in the legal documentation.
- Financial aspects, such as the calculation of the bulk-transfer value (if relevant) and benefits provided for post-employment benefits, and modification and cancellation effects for share-based payments.
- Accounting impact of the transaction e.g., goodwill and tax effect.

**4.2** Determine an appropriate funding method, together with suitable financial and demographic assumptions, that can be used to value benefits (including deferred compensation and share-based payments) in specific scenarios.

**4.3** Determine values for assets, past and future benefits and future contributions, terms of share-based payments and perform calculations to demonstrate an understanding of the main methods used.

- Data requirements
- Reasons why assumptions and methods used may differ in different circumstances
- Extent to which values should reflect investment/risk management strategy
- Valuing standard and non-standard benefit design in pension, other employee benefits, and share-based payments
- Sensitivity analysis and reasonableness checking

**4.4** Understand the factors that need to be considered, and produce relevant financial and non-financial information to meet accounting standards

- Pension and other Employee Benefit measurement, disclosure and recognition; requirements under local and international reporting guidance
- Disclosure requirements, including those for directors' remuneration
- Proportionality in disclosures based on benefit definition and reporting objectives
- Calculations of cost of benefit provision

**4.5** Discuss the issues concerning surplus/deficit including:

- Identifying the sources
- Factors that affect the treatment of a surplus/deficit and describe how the financial significance of deviations from expectations should be monitored and assessed, including:
  - Data required
  - Methods used
  - Quantification of key items of experience
  - Use of the results to help identify issues and develop solutions

## **5. General business and risk management [20%]**

Understand the detail behind potential risks affecting benefit arrangements, as well as how these are managed and reported.

**5.1** Understand the main risks, and propose appropriate risk mitigation strategies in respect of:

- The level and incidence of benefits
- The level and incidence of contributions
- The level and incidence of return on assets
- The extent to which assets are exhausted during a member's lifetime
- The overall security of benefits

including risks which can, and cannot be mitigated through the use of insurance products.

**5.2** Analyse the existing investment strategy, or propose an appropriate investment strategy for a provider of benefits, taking into account:

- Any asset-liability matching requirements.
- The trade-off between risk and reward.
- An awareness of adding value to the shareholders of the business and describe how

projection models may be used to develop strategies.

**5.3** Discuss the benefit options typically available to individuals:

- Before retirement
- At retirement
- After retirement

and discuss how to set appropriate terms and consent requirements for these options (where appropriate), taking into account the risk and reward for all relevant parties.

**5.4** Discuss the issues arising from the discontinuance of benefit provision, including:

- Rights and expectations of beneficiaries.
- Availability and selection of a method of provision of discontinuance benefits.
- Level of available assets.

### **Additional Syllabus**

1) Discuss the accounting related obligations on measurement, recognition and disclosure across all employee benefits including post-employment benefits, other long-term benefits and share based payments.

2) Describe the Indian tax position in respect of employee benefits.

- in particular, provisions related to tax-sheltered trusts for provident fund, superannuation/ pension fund and gratuity fund.
- For employer's tax obligations and planning.

3) Practical considerations for various aspects of accounting for special events such as benefits improvements, curtailments & settlements. Some of these vary as per accounting standards. Especially in case of USGAAP.

4) Roles of each of the following parties who may be involved in the provision of pensions specific to India

- the Central and the State Government
- the Pensions Regulator, PFRDA
- NPS (Trust)
- ICAI
- Taxation Authorities, CBDT
- Employees' Provident Fund Organisation, EPFO
- Employers, Employees and Individuals
- Trustees
- Other Employee Benefits advisers
- Insurers particularly offering employee benefit products
- IRDA and Auditors

5) The legal framework for pensions & other long term employee benefits applies in India such as Gratuity, Provident Fund, Public Provident Fund, Pensions (including National Pension System, UPS, Atal Pension Yojana, Employees' Pension Fund 1995), Leave Benefits, Deferred Cash, Share Based Payments and Medical Benefits, attempt to:

- encourage appropriate non-State provision,
- ensure security for non-State provision,

- ensure adequacy of non-State provision,
- create evolving mechanisms for employee engagement.
- particular reference to scheme entity, funding, solvency and others

6) Implications for the parties in (a), of the Regulatory, Legislative and Taxation environment in which Pensions and other Employee benefits in India are provided in terms of the effect of:

- Different presentation and reporting of benefits and contributions
- Accounting standards; Indian (AS 15, Ind AS 19, Ind AS 102) and International including IFRS (IAS 19, IFRS 2) and US GAAP.
- Discuss the issues taken into account in producing information to meet accounting standards, including - the objectives,
  - the disclosure requirements, including those for directors' remuneration,
  - the calculations of cost of benefit provision
- The professional guidance for actuaries contained in Guidance Notes/Actuarial Practice Standards mentioned below, as issued by the Institute of Actuaries of India (updated versions as on 21 July 2018);
- APS15 – Pension Fund Terminology (Ver. 1.1/ 01.01.2012)
- APS20 - Actuarial Practice for Social Security Programmes (Ver. 1.01/ 01.01.2012)
- APS27 - Employee Benefits - (Ver.1.00 / 01.01.2018)
- APS34 – General Actuarial Practice - (Ver.1.00 / 29.12.2021)
- GN29 - Valuation of Interest Rate Guarantees on Exempt Provident Funds (Ver. (2.00/ 31.03.2022)
- Guidance Note 30 (GN30): Share-based Payments

### **India Specific Material**

1. Employee Pension Scheme, 1995 (EPS) and Employees' Deposit Linked Insurance Scheme, 1976 (EDLI) (available in the market)
2. Payment of Gratuity Act 1972 (including amendments till March 2018)
3. Part A, B and C of Fourth Schedule of Income Tax Act, 1961. (available in the market)
4. Part XII, XIII and XIV of Income Tax Rules, 1962
5. Approaches for Valuing Interest Rate Guarantees under AS 15 (revised, 2005) by Dr. K Sriram – Version 1.00 (April 2008)
6. National Pension System and Atal Pension Bima Yojana – Benefit design, features, investment norms, role of intermediaries & delivery mechanism (available in the market)
7. Code on Social Security, 2020 (available in the market)
8. Funded Products available in Indian Insurance market, Benefits & features (IRDAI Regulations available in the market)
9. Annuity products (both immediate & deferred) available in Indian Market, Small savings products available to Senior citizens
10. Features of the Social pension benefits promoted by Government of India through the Schemes PM Laghu Vyapari Maan Dhan Yojana (PM\_LVMY), PM Kissan Maan\_Dhan Yojana (PM\_KMY),

PM Shram Yogi Maan Dhan Yojana (PM\_SYM)

11. Leave benefits under the Shop & Establishment Acts of various states.
12. Trust law and governance on employee benefits in India

GNs and APSs issued by IAI

1. Professional Code of Conduct Version 3.0
2. APS9 – Continuing Professional Development (CPD) and the Actuary (Ver. 3.00/ 21.07.2018)
3. APS15 – Pension Fund Terminology (Ver. 1.1/ 01.01.2012)
4. APS20 – Actuarial Practice for Social Security Programmes (Ver. 1.01/01.01.2012)
5. APS27 – Employee Benefits (Ver. 1.00/01.01.2018)
6. APS34 – General Actuarial Practice - (Ver.1.00 / 29.12.2021)
7. GN29 - Valuation of Interest Rate Guarantees on Exempt Provident Funds (Ver. (2.00/ 31.03.2022)

**Accounting and Other Standards**

1. Accounting Standard AS 15 (revised, 2005) and Ind AS 19 on Employee Benefits issued by ICAI
2. AS 15 (revised, 2005) – Guidance on implementation issued by ICAI
3. AS 15 (revised, 2005) – Opinion on Leave valuation issued by ICAI
4. Ind AS 102 on share-based transactions issued by ICAI.
5. GN 18 (Amended) issued by ICAI
6. International Accounting Standard 19 (IAS 19) on Employee Benefits (including Amendments issued up to January, 2016) issued by IASB
7. ASC 715 as per USGAAP on defined benefit pension plans (FAS 158)  
<https://asc.fasb.org/subtopic&trid=223501>
8. ASC 710 as per USGAAP on compensated absences.
9. DPE Guidelines
10. OPS Pension, UPS & CPS of Government Pension (updated CSS rules)

**END OF SYLLABUS**